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Report on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Report on the activities of the Office of Internal Oversight Services for the period from 1 January to 31 December 2007*

Summary

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5), and 59/272 (paras. 1-3). It covers peace operations oversight activities of the Office of Internal Oversight Services (OIOS) during the 12-month period from 1 January to 31 December 2007.

The Office of Internal Oversight Services issued 154 oversight reports related to peace operations, which accounted for 54 per cent of all recommendations put forward during that period. In particular, the recommendations highlighted four risk areas: governance, compliance, and financial and operational risks.

While overall resources dedicated to peace operations remained at a similar level in 2007, a new OIOS presence was established in the United Nations Interim Force in Lebanon (UNIFIL) and the United Nations Integrated Mission in Timor-Leste (UNMIT), while the Office's presence in the United Nations Operation in Burundi (ONUB) was phased out. OIOS also expanded its presence in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC).

* The report on activities other than peacekeeping oversight activities is contained in documents A/62/281 (Part I) and Add.1 and 2.

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Preface

I am pleased to submit to the General Assembly a report on the activities of the Office of Internal Oversight Services (OIOS) covering the Office's major findings in peace operations for the 12-month period ending 31 December 2007.

In aggregate, many of the findings indicate deficiencies in the internal control. As I have stated previously, proper internal controls are a core responsibility of management. A formal and structured internal control framework is urgently needed — such a framework outlines management's responsibility over the control environment, risk assessment and control activities, among other things. In the conduct of peace operations, the importance of an internal control framework is in particular underscored. As mission environments present unique environments that may make the Organization more vulnerable to risks, thus necessitating even stronger controls. The present report highlights areas where attention is particularly needed to address shortcomings before they manifest as reputational or financial losses to the Organization. Unfortunately, in some cases, it is too late as reported in the report on the activities of the OIOS Procurement Task Force (A/62/272), which covered the activities of the Task Force for the first half of 2007, and as reported in section IV of the present report.

Many of the allegations that have been substantiated following OIOS investigations had been reported in 2006. However, there was a significant decrease in the number of allegations reported in 2007. It is important to note that some of the Office's activities in 2007 will not be reported until early 2008 when reports are issued. For instance, the Procurement Task Force has been reviewing over 20 procurement exercises related to the United Nations Mission in the Sudan, and the Investigations Division is reviewing allegations of major procurement irregularities in the United Nations Interim Administration Mission in Kosovo.

The Office of Internal Oversight Services remains fully engaged in assisting the Secretary-General in fulfilling his oversight responsibilities in respect of the resources and staff of the Organization. The Office wishes to thank the Department of Peacekeeping Operations, Department of Field Support, Department of Political Affairs and mission staff for the support they lend to the Office in the conduct of its duties.

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services
25 February 2008

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I. Introduction

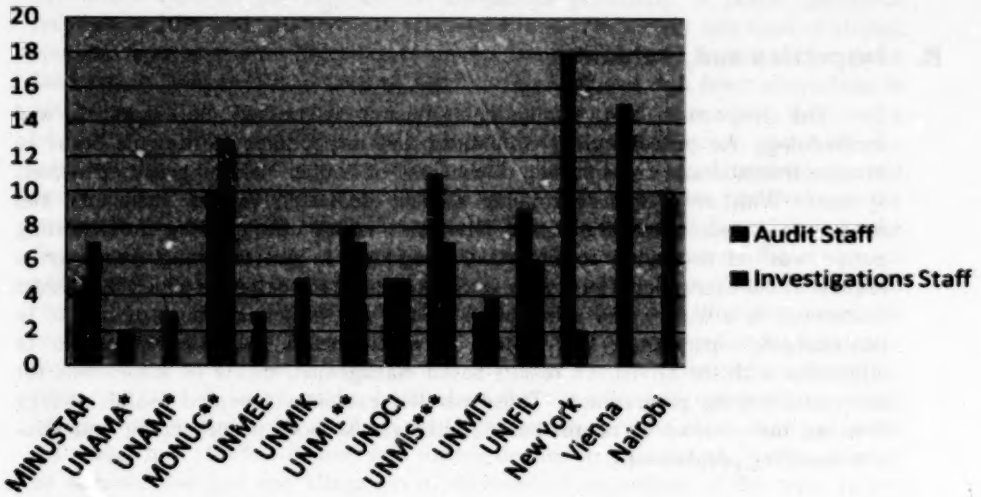
1. During the reporting period from 1 January to 31 December 2007, the Office of Internal Oversight Services (OIOS) issued 154 oversight reports related to peace operations. The recommendations issued in those reports represent 54 per cent of all OIOS recommendations issued during the reporting period. The present report provides an overview of OIOS work in these areas.

2. As compared to part I, the present report pertains exclusively to oversight of the peace operations of the Organization. That includes the Department of Peacekeeping Operations, the recently created Department of Field Support, and the 17 peacekeeping missions that fall under those Departments, as well as 14 special political and peacebuilding missions led by the Department of Political Affairs or the Department of Peacekeeping Operations, supported by the Department of Field Support. It does not include the activities of the Procurement Task Force completed in the first six months of 2007, as they were reported to the General Assembly (A/62/272) and, pursuant to resolution 62/234, will be reviewed by the General Assembly at the first part of the resumed sixty-second session.

3. In the previous reporting period, OIOS reported a significant increase in the scope of its activities, as well as resources, to assist the Secretary-General and Member States in their oversight of burgeoning peace operations. While overall resources dedicated to peace operations remained at a similar level in 2007, a new OIOS presence was established in the United Nations Interim Force in Lebanon (UNIFIL) and the United Nations Integrated Mission in Timor-Leste (UNMIT), while the presence of the Office in the United Nations Operation in Burundi (ONUB) was phased out. The Office also expanded its presence in United Nations Organization Mission in the Democratic Republic of the Congo (MONUC). Figure 1 below denotes the number of OIOS posts dedicated to peace operations as at 31 December 2007,[1] and the regional/mission distribution of these posts between the Internal Audit and Investigations Divisions.

[1] The data chart is based on the funding source of a post. Given the special funding arrangement for the Procurement Task Force, Procurement Task Force staff are not included in this data.

Figure 1
OIOS peace operations oversight staff
(as of 31 December 2007)



* UNAMA and UNAMI are staffed by non-OIOS post resources.
** MONUC and UNMIL include 2 non-OIOS posts for investigations.
***UNMIS includes 1 non-OIOS post for investigations.

II. Overview

A. Internal audit

4. The audit staff of OIOS focused on peace operations comprise nearly 55 per cent of all Internal Audit Division staff. The Peacekeeping Audit Service of Internal Audit Division operates through New York, and via resident auditor staff based in 11 missions. Staff in New York cover the audit activities of the Department of Peacekeeping Operations, Department of Field Support and Department of Political Affairs headquarters as well as smaller peacekeeping and special political missions. Resident Internal Audit Division staff audit a full range of activities at their respective peacekeeping and special political missions.

5. The scope of audits varies widely from relatively routine to complex global or horizontal audits in areas such as fuel management, procurement and management, and direction of special political missions. During the reporting period, the resident audit offices conducted comprehensive risk assessments of mission activities, which will serve as the basis for the 2008 Internal Audit Division audit workplan. As discussed in the previous report (A/61/264 (Part II)), OIOS relies on a formula for identifying resources to be allocated to a particular mission based on the size of the mission's budget. This formula may be adjusted where there are significant high-risk activities and mission complexities; therefore this approach is consistent with the adoption of a risk-based work planning approach.

6. Also in 2007, OIOS began preparations for staffing two new peacekeeping missions: the African Union/United Nations Hybrid Operation in Darfur (UNAMID) and the United Nations Mission in the Central African Republic of Chad (MINURCAT), both of which will be fully operational in January 2008.

B. Inspection and evaluation

7. The Inspection and Evaluation Division reassessed its approach and methodology for peacekeeping evaluations and inspections, shifting its focus to broader thematic and cross-cutting dimensions of United Nations peace operations systems. With only one Programme Officer dedicated to the inspection and evaluation of peace operations, the Division's major effort during the reporting period was on reviewing results-based budgeting in peacekeeping, based on a request of the Controller. The review sought to assess the extent to which the budget framework is effective and efficient in measuring the achievement of results in peacekeeping operations. The review of results-based budgeting was also in alignment with the Division's results-based management theme of inspections for non-peacekeeping programmes. Those parallel exercises provided useful synergy between the reviews of results-based initiatives in both peacekeeping and non-peacekeeping programmes.

C. Investigation

1. Investigations Division

8. The Office conducts investigations of peace operations through investigators based in New York, Nairobi and Vienna and via resident investigators based in five peacekeeping missions. Overall, staff focused on investigations in this area make up 68 per cent of all Investigations Division staff.

9. Between 1 January and 31 December 2007, a total of 469 allegations were received by OIOS[2] Investigations Division pertaining to staff involved in peace operations. The allegations comprise nearly two thirds (65 per cent) of all allegations received by the Investigations Division in 2007. After an evaluation of each allegation by OIOS, 134 (or 29 per cent) were assigned to an OIOS investigator for investigation, 108 (or 23 per cent) were referred to other Departments/Offices for investigation,[3] 65 (or 14 per cent) were filed for information, and other action was taken on the remaining 162 (or 34 per cent).[4] In total, 87 investigation reports were issued in 2007.[5]

10. During the 12-month reporting period, the average open caseload for the Investigations Division was 285, of which 206 (or 73 per cent) were related to peace

[2] Includes some allegations reported to OIOS by Conduct and Discipline Units.

[3] General Assembly resolution 59/287, para. 8, "OIOS may entrust trained programme managers to conduct investigations on its behalf".

[4] Of the 162, 68 were placed on suspense to gather further information or procurement matters referred to the Procurement Task Force and 94 advisories provided to the United Nations Treasury or Office of Programme Planning, Budget and Accounts.

[5] Includes allegations that may have been reported in 2006, but the investigation report was not issued until 2007.

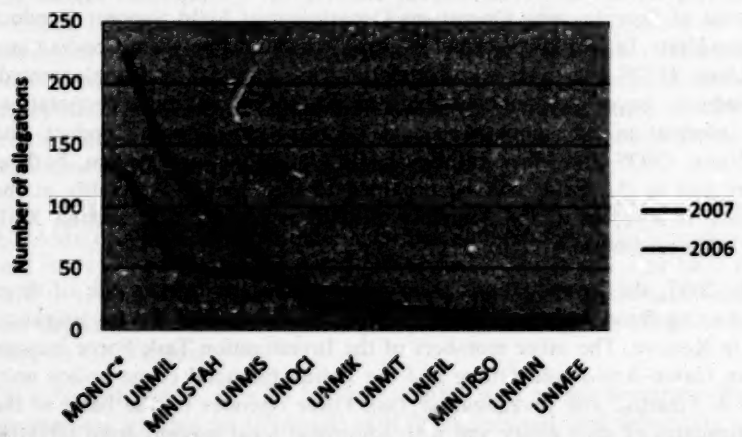
operations. It should be noted that during the last quarter of 2007, the average open caseload declined to 254 for all cases, and 174 for cases related to peace operations, a decrease of 11 and 16 per cent, respectively.

11. More than 85 per cent of the allegations pertaining to peace operations received in 2006 and 2007 were concentrated in approximately one third of United Nations field missions. Figure 2 compares the number of allegations for those locations in 2006 and 2007. Overall, OIOS received 26 per cent fewer allegations in 2007 than in 2006. In allegations of sexual exploitation and abuse alone, there was a 64 per cent decrease. While existing numbers still underscore the need for strengthening efforts to prevent misconduct, particularly sexual exploitation and abuse, it may be posited that the decline in allegations reflects positively on the concerted efforts of the Organization following the report of the adviser to the Secretary-General on a comprehensive strategy to eliminate future sexual exploitation and abuse in the United Nations peacekeeping operations (Prince Zeid report) (A/59/710). It should be noted that there are many variables that contribute to an environment conducive to behaviour specifically discouraged under Secretary-General's Bulletin ST/SGB/2003/13 and any other form of misconduct; therefore, while progress is being made, because of the complex and constantly evolving nature of the environment in which the Organization operates, there is no guarantee that status quo efforts will lead to a further decline in misconduct. Further, it must be stressed that just one allegation of misconduct, regardless of the type, is one allegation that may adversely impact the credibility and reputation of the Organization and hence its ability to discharge its mandate. For its part, OIOS in its report on strengthening investigations (A/62/582, annex) highlights its proposals for restructuring and strengthening its investigation function to better meet the demand for qualified and timely investigations.

Figure 2

Comparison of 2006 and 2007 allegations in select missions

(as of 31 December 2007)



* The sharp increase in MONUC is due to a large number of allegations reported in Bunia.

2. Procurement Task Force

12. Approximately 50 per cent of the work of the Procurement Task Force in 2007 dealt with procurement irregularities in United Nations peacekeeping missions. During the period, the Procurement Task Force received 75 referrals of procurement irregularities related to peacekeeping operations, all of which have been assigned for investigation. A total of 66 procurement cases were closed, and 13 reports related to peacekeeping missions were issued in 2007. Those reports concerned multiple vendors, vendor intermediaries and agents, as well as United Nations staff members. Investigations by the Procurement Task Force resulted in suspension and removal of 24 vendors.

3. Investigation findings

13. Investigations conducted by OIOS are administrative in nature and are intended to guide the Secretary-General in deciding on jurisdictional or disciplinary action to be taken. It should be noted that a number of the cases reported in the present report are currently under active consideration within the internal justice system and are being held in strict compliance with the relevant rules and procedures, and that no final determination on whether misconduct can be made until the proceedings in each case have been completed. To respect the individual rights of staff members regarding due process, OIOS has limited the information on cases which are currently pending consideration in the internal justice system. It should be stressed that all staff members are entitled to the presumption of innocence until such time as the allegations against them have been substantiated through established processes; therefore any finding presented in the present report, cannot be regarded as a final determination on the part of the Organization.

D. Cooperation and coordination

14. Aside from ongoing cooperation and coordination with the Board of Auditors and the Joint Inspection Unit, in peacekeeping the Office also works closely with the Department of Peacekeeping Operations/Department of Field Support Conduct and Discipline Units. In late 2005 formal working procedures between Conduct and Discipline Units, OIOS and other relevant actors were finalized and implemented. Those procedures have continuously evolved to ensure optimal cooperation. Additional information on cooperation and coordination among Conduct and Discipline Units, OIOS and other entities in the United Nations system, both at Headquarters and in the field, will be provided to the General Assembly at the present session in a report of the Secretary-General as requested in section XVI, paragraph 6 of its resolution 61/276.

15. Also in 2007, the Investigations Division continued its role as one of three entities conducting fraud and corruption investigations as part of the Investigation Task Force in Kosovo. The other members of the Investigation Task Force include the European Union Anti-Fraud Office and the Italian financial crime police unit, the Guardia di Finanza. The Investigation Task Force operates on the basis of the individual mandates of each entity and with additional legal support from UNMIK Executive Decision 2003/16. Investigation Task Force activities in 2007 focused heavily on "Korporata Energjetike E Kosoves".

16. It should be emphasized that in all areas of its work, OIOS works to foster relationships with its stakeholders. To that end, Inspection and Evaluation Division sought to build broader partnerships with internal and external stakeholders, particularly with Department of Peacekeeping Operations, by organizing an internal in-house forum in August 2007. The forum provided an opportunity for OIOS to discuss peacekeeping evaluation with the Department as well as a chance to discuss future focus in peacekeeping evaluation.

E. Challenges

17. OIOS confronts some of the same challenges faced by other Departments/Offices in recruiting and retaining highly qualified staff willing to work in the peacekeeping mission environment. In fact, in most cases understaffing represents the single largest impediment facing OIOS in the conduct of peacekeeping audits. OIOS is seeking to address that issue through an intensive recruiting effort.

18. While all actors working in peace operations confront new and challenging circumstances every day, the risks are compounded when far-reaching exceptions are made to the very policies/controls in place that are meant to safeguard the assets of the Organization. With regard to Darfur, for example, the Secretary-General has informed the President of the General Assembly of his decision under his authority to approve a wide range of exceptions from the application of financial rules and administrative policies and procedures to facilitate establishment of UNAMID. They include the extension of existing system contracts scheduled to expire before 31 December 2007 and an increase in the not-to-exceed amounts of contracts subject to review by the Headquarters Committee on Contracts; ability to enter into non-competitive, single source contracts in the short-term subject to approval by the Headquarters Committee on Contracts, and the exemption of UNAMID requirements from review by the Local Committee on Contracts for a period of eight months. The measures in human resources management include, among others, the immediate reassignment of civilian personnel for key administration positions without advertisement of posts, and the temporary assignment of the civilian personnel enabling the releasing office to recruit a temporary replacement. At the request of the General Assembly, OIOS is planning an audit of the use of those exceptional measures to assess the adequacy and effectiveness of internal controls put in place to mitigate the risks associated with their use and to determine whether the expected results had been achieved.

19. OIOS auditors will be challenged to identify new ways to audit the substantial UNAMID procurement and other activities without applying the traditional policies and rules as criteria for assessing performance. OIOS will also have to determine how to audit a wide range of activities and expenditures to safeguard the interests of the Organization without negatively impacting the ongoing efforts to establish and support the Mission.

20. In that regard, in a 23 November 2007 note to the Secretary-General on the exemptions granted to UNAMID, OIOS emphasized that delegating officials will still remain accountable for any irregularities, misuse of resources or excessive expenditures. OIOS also expressed its concerns based on prior audits and investigations that the Organization will face a higher-risk exposure to

mismanagement, fraud and corruption as a result of the waiver granted to UNAMID. The note contains an annex outlining the major high-risk areas related to each exemption.

III. Holistic approach to misconduct

21. OIOS has previously reported on the need for a holistic approach to misconduct, with respect to sexual exploitation and abuse matters, in order to further reduce the instances of such serious misconduct. In general, a holistic approach includes awareness-raising and a training programme for all staff as to the standards of conduct expected under the Charter of the United Nations and Staff Regulations and Rules, a system that emphasizes accountability when misconduct is substantiated, and effective command and control by the various troop-contributing countries. Department of Peacekeeping Operations/Department of Field Support, Department of Management, troop-contributing countries, OIOS and others all play critical and unique roles in that context.

22. With regard to command and control, there is often the perception that effective command and control equates tighter controls and harsher discipline; however, that is only part of the equation. Command and control must also encompass "soft" components that do not impinge on an individual, such as welfare activities that allow for troops to exercise and engage their time and minds. The continual revision and strengthening of all command and control issues are absolutely essential. With the support of the troop-contributing countries, and the respective Contingent Commanders, it should be possible for Conduct and Discipline Unit and troop-contributing country staff to identify and implement a range of command and control activities that can make a positive difference.

IV. Oversight findings by risk area

23. The present section of the report summarizes select findings from the period under review. As noted in part I of the present report, there are seven risk categories which in the opinion of OIOS accurately represent the various types of risk present in the current United Nations work environment. Those risk categories, which also form a central component of the OIOS risk assessment methodology, are strategy, governance, compliance, financial resources, operational, human resources and information resources. In 2007, OIOS assignments found the following four risk areas particularly prevalent: governance, compliance, financial and operational. It should be emphasized that findings in general are often a confluence of many factors that may stem from more than one risk area. Therefore, the absence of other risk categories in no way signifies that those risks are not present.

A. Governance risk

24. OIOS defines governance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

(a) Failure to establish appropriate processes and structures to inform, direct, manage and monitor the activities of the Organization;

(b) Insufficient leadership within senior management;

(c) Failure to promote an ethical culture in the Organization.

25. An audit of occupational safety and health in UNMIL found that Department of Peacekeeping Operations needed to work with the Department of Safety and Security to develop guidelines for the occupational safety and health of civilian personnel in the Mission. The lack of direction provided to the Mission resulted in the fragmentation of safety and health programmes. Overall, Mission programmes did not meet international standards nor did they adequately mitigate occupational safety and health risks. As a result, personnel were being exposed to an unacceptably high risk of accidents and/or health problems that could have been prevented by meeting minimum standards. The Mission accepted the OIOS recommendations. The Department of Peacekeeping Operations/Department of Field Support commented that UNMIL has established an Occupational Health and Safety Council, which reports directly to the Director of Administration. However, the Liberia health and safety regulations do not yet meet the required standard and/or are not being enforced, thereby making it difficult for contractors to comply with them.

26. An audit of the HIV/AIDS programme in the United Nations Mission in Ethiopia and Eritrea (UNMEE) showed that strengthened efforts were needed to make civilian and military personnel more aware of HIV/AIDS. The lack of adequate information or programmes concerning HIV/AIDS can increase the risk of contracting and spreading the disease or failing to seek proper medical attention when infected. Specifically, a survey conducted as part of the audit revealed that the HIV/AIDS awareness[6] rating across the Mission's various staffing components averaged 72 per cent with national and international staff averaging 78 per cent, while military respondents averaged only 60 per cent. The audit also identified the need for the HIV/AIDS Policy Adviser to enhance the monitoring and evaluation of the impact of the HIV/AIDS programme in the Mission area. The HIV/AIDS Policy Adviser noted that although certain aspects of the programme's success can be evaluated, some key areas such as HIV prevention among peacekeepers cannot be evaluated because the Mission does not maintain a database on the activities conducted. The Mission accepted most of OIOS recommendations.

27. In an audit of UNIFIL, OIOS found that the Mission needed to formulate indicators of achievement and performance measures for the political and civilian affairs components of its operations. Indicators and performance measures are critical to evaluating the effectiveness of operations. The Mission agreed to formulate such indicators. OIOS also found that the roles and responsibilities of the expanded UNIFIL organizational units were not formally described in an information circular that would specifically define their reporting lines and accountability. Based on an OIOS recommendation, the Mission agreed to issue information circulars describing specific roles and responsibilities.

[6] Calculations on awareness are based on the responses to the following questions: (a) whether staff had attended an awareness workshop on HIV/AIDS in their home country; (b) had attended an awareness session on HIV/AIDS in UNMEE; (c) whether staff are familiar with voluntary counselling and testing; and (d) whether staff are aware that voluntary counselling and testing is available in UNMEE.

28. An audit of UNIFIL security mechanisms found that national staff were not included in the staff warden system and other security mechanisms as required by the Department of Safety and Security in the United Nations Field Security Handbook. Those shortcomings directly affected the security and safety of UNIFIL national staff during the security crisis in Lebanon in July-August 2006. Local staff were not aware of any efforts by UNIFIL to contact them or their families during the crisis. The Office recommended that UNIFIL comply with the Department of Safety and Security policies on the inclusion of national staff in the Mission zone warden system and other security mechanisms to ensure that all staff are kept abreast of the latest information in the event of an emergency. UNIFIL has implemented the OIOS recommendations. The Department of Peacekeeping Operations/Department of Field Support commented that prior to the crisis in Lebanon in July-August 2006, the Department of Safety and Security had not been tasked with the lead on safety and security of personnel in the Mission. Moreover, the above shortcomings, combined with the intensity of hostilities that ensued and resulted in the complete immobilization of all means of communication and total movement restriction, not only affected the security and safety of all UNIFIL staff, but ultimately cost the life of one international staff member and his dependant. Since all international staff in the area of operations are obliged to take up residence in the same town that is situated on the edge of the area of operations, they could be reached more easily than the national staff and their families, who are naturally dispersed throughout the country.

29. As reported in one preceding report (A/61/264 (Part II)), at the request of the Controller, in 2007 the Inspection and Evaluation Division undertook a review of results-based budgeting in peacekeeping operations to assess the extent to which the budget framework is effective and efficient in supporting the achievement of results in peacekeeping operation. The review focused on the congruence and alignment of the results-based budgeting framework in regard to the mission mandate, its relevant processes, policy guidelines and standard operating procedures for peacekeeping operations. Particular emphasis was on the practical application of the results-based budgeting, including the presence of time-bound performance indicator baselines and targets, documentation of performance indicator methodologies, observed change in indicators of achievement, and whether the elements of the framework provide an adequate measurement of results achieved. The review involved field work to four peacekeeping operations, UNMIK, UNMIL, the United Nations Mission in Sudan (UNMIS) and the United Nations Integrated Mission in Timor-Leste (UNMIT) resulting in reports on each mission. OIOS will produce a summary report on results-based budgeting in peacekeeping operations that provides an overall assessment of results-based budgeting trends and highlights the areas of results-based budgeting that need more focus and strengthening.

30. Overall, the reviews of the four missions noted that, while the practice of results-based budgeting continues to evolve, there are several areas that need improvement to further enhance its utility in peacekeeping missions. With regard to the preparation of the results-based budgeting frameworks, there are three main issues that were highlighted: first, the results-based budgeting instructions from the Controller and the Strategic Guidance instructions issued from the Department of Peacekeeping Operations would be more useful in providing guidance to the missions if the two sets of instructions were issued as a single consolidated results-based budgeting guidance. That would enhance the relevance and utility of the

guidance while also clarifying the context in which the guidance is set for preparing their respective results-based budgeting frameworks (OIOS maintains this consideration while noting that Office of Programme Planning, Budget and Accounts has stated that the two sets of instruction serve different purposes in the peacekeeping budgeting process); secondly, the missions are uncertain about how to deal with adjustments necessitated by the fact that the budget proposals are prepared a considerable time before the implementation period; and thirdly, of the missions reviewed, their respective results-based budgeting frameworks were lacking in areas of measurability regarding baselines and targets for their respective indicators of achievement. OIOS noted the request by the Department of Management to delete references to measurability issues but declines to do so for several reasons: (a) Office of Programme Planning, Budget and Accounts stresses the importance of measurability in its guidance on results-based budgeting frameworks, e.g., stating that all elements of the logical frameworks are formulated according to SMART (specific, measurable, achievable, realistic, time-bound) principles; (b) OIOS finds that baselines and targets are an important part of the results-based budgeting framework and provide a basis to assess progress in a particular area over time; and (c) the Board of Auditors also recently highlighted the importance of baselines and targets, noting that "in the absence of baseline and/or target data as well as specific, measurable, and time-bound outputs, any improvement or decline in accomplishments could not be properly determined".[7]

31. With regard to the full utilization of results-based budgeting at missions, two main issues hindered the process: (a) results-based budgeting was not being fully utilized as a management tool in most missions because it was not linked to or integrated into the mission implementation plans. It was further noted that in missions where there was sufficient integration and linkage, such as UNMIL, results-based budgeting was better utilized as a management and planning tool; and (b) there was a lack of results-based budgeting capacity at the missions due to staff turnover and a lack of useful results-based budgeting guidance. While the Department of Field Support maintains that current training materials are sufficient, OIOS reiterates that such guidance and materials have not recently been updated and revised and encourages the Department of Peacekeeping Operations/Department of Field Support to develop current standardized training materials on results-based budgeting, based on available materials, for the use of Integrated Training Mission Centres. In regard to monitoring and evaluation of results-based budgeting frameworks, it was noted that monitoring of such frameworks was best undertaken via an automated Lotus-based monitoring tool, such as UNMIS, but that that tool is not yet available and used at all missions. OIOS made a total of 33 recommendations to the Controller, Department of Peacekeeping Operations and Department of Field Support towards improving the utilization of results-based budgeting in peacekeeping missions.

B. Compliance risk

32. OIOS defines compliance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from

[7] See *Official Records of the General Assembly, Sixty-second Session, Supplement No. 5* (A/62/5), vol. II, para. 76.

violations of, or the failure or inability to comply with laws, rules, regulations, prescribed practices, policies, procedures or ethical standards.

33. Based on its comprehensive audit of the United Nations Mission in Nepal (UNMIN), OIOS concluded that policies and procedures on human resources, procurement and logistical support that are specific to launch short-term political missions needed to be developed, considering the limited duration of their mandates and the associated political and reputational risks to the Organization. The absence of such policy adversely affects the deployment of political missions and their mandate implementation. There were also serious internal control shortcomings in the Mission's operational areas, particularly administrative and logistical planning, procurement and asset management. For example, goods and services valued at more than $500,000 were delivered without purchase orders or other contractual documents. UNMIN requisitioners also communicated directly with vendors in violation of established procurement procedures. According to UNMIN, those cases were later presented to and reviewed by the Local Committee on Contracts, which noted that the actions of the staff involved were not found to indicate intentional or wilful disregard of rules nor was there any financial loss to the Organization. However, OIOS believes that the cases represented a high operational risk and should have been avoided by setting proper internal controls at the start of the Mission, considering the high value of procurement operations. The audit also identified internal control deficiencies in asset management where property records were unreliable and did not reflect the actual quantity of assets held in warehouses or issued to users. Those violations of established policies might result in losses to the Organization. While most of OIOS recommendations issued to address those matters were accepted by the Mission, UNMIN underlined the fact that it was critically understaffed during its start-up phase.

34. In UNMIL OIOS substantiated allegations that a military contingent member assaulted three women. In the course of its investigation, OIOS interviewed a number of officers and enlisted members of the military contingent and found that they deliberately misrepresented facts in an effort to protect their colleague. OIOS recommended that the Department of Field Support refer the case to the national authorities of the concerned troop-contributing country for appropriate action against the relevant contingent members. The Department referred the case accordingly; however, to date, no response from the troop-contributing country has been received.

35. In UNMEE OIOS substantiated allegations that two United Nations Volunteers smuggled Eritrean nationals into Ethiopia for personal and financial gain. OIOS found that in December 2005 and January 2006, one United Nations Volunteer smuggled 6 Eritrean nationals into Ethiopia and from April to August 2006, smuggled 25 Eritrean nationals into Ethiopia. From June to August 2006, the United Nations Volunteer and others were also involved in the smuggling of domestic luxury goods and foodstuffs to and from Eritrea and Ethiopia. OIOS further substantiated that a national staff member conspired to smuggle Eritrean nationals to Ethiopia. OIOS recommended that the Organization take appropriate action against the two United Nations Volunteers and the national staff member involved in the scheme. All recommendations issued in this report have been implemented.

36. In the former ONUB OIOS substantiated allegations that members of a military contingent sexually exploited local women. Their conduct was aided by lax

security at the military contingent's camp which facilitated unauthorized access by members of the local population into and out of the camp. OIOS also found that though allegations had been brought to the attention of the military contingent commander and the poor security situation was known, little or no action was taken by the commander to address the issue. OIOS recommended to the Department of Field Support that the case be referred to the concerned troop-contributing country for appropriate action; however, to date, no response from the troop-contributing country has been received.

37. In UNMIL OIOS substantiated allegations that up to five employees of a United Nations contractor raped two local women and then subsequently assaulted local police officers investigating the rape allegations. The local police sought to initiate criminal proceedings against a number of the contractor's employees; however, during this process the subjects fled the jurisdiction under the shadow of allegations of bribery and attempted bribery of local officials. OIOS recommended, inter alia, that the case be reported to the home country of the contractor for appropriate action to be considered against the contractor's employees; that the United Nations consider pecuniary penalty clauses in service contracts relating to substantiated cases of sexual exploitation and abuse by the employees of contractors.

38. In MONUC OIOS substantiated an allegation that a military contingent member had sexually abused a 9-year-old boy. OIOS also found that the commanders of the national contingent made the offending peacekeeper pay compensation to the child's mother, local authorities and others; that the commanders did not report the alleged incident to the Head of Mission as required; and that the contingent's commanding officers attempted to cover up the abuse through payments to the child's mother, a witness and to local authorities. OIOS recommended, through the Department of Field Support, that appropriate action be considered by the concerned troop-contributing country for appropriate action against the peacekeeper and contingent commanders. The Department of Field Support has implemented this recommendation.

39. In UNMIL OIOS substantiated allegations that a staff member disseminated threatening and defamatory letters and posters against another staff member to United Nations Headquarters in New York and to UNMIL headquarters. A recommendation to the Department of Field Support that appropriate action be taken against the concerned staff member has been implemented; while another recommendation to refer the matter to New York judicial authorities for criminal action has been declined.

40. In MONUC OIOS investigated allegations that national contingent members engaged in the exploitation of natural resources and the trafficking of weapons and ammunition to the Front des Nationalistes et Intégrationnistes. Although OIOS found no evidence in support of the allegation of weapons smuggling, OIOS established that from 12 to 17 November 2005 and on 1 December 2005, some national contingent members provided logistical support to certain businessmen who had purchased significant quantities of unwrought gold without possessing the appropriate government authorizations. OIOS was unable to identify the involved military contingent members, but found that it was impossible for the contingent members to provide logistical support to the businessmen without the knowledge of the contingent commander. The Department of Field Support has implemented an

OIOS recommendation to refer the case to the concerned troop-contributing country for appropriate action against the contingent commander.

41. In UNMIL OIOS received allegations of sexual exploitation of local women by members of a national contingent. Some of the allegations were subject to previous investigations by OIOS and others date back to the deployment of the national contingent in the region in October 2004. OIOS found that some of the national contingent members were engaged in conduct that was specifically discouraged under Secretary-General's Bulletin ST/SGB/2003/13. In particular, OIOS found that members of the concerned national contingent routinely disobeyed their military curfew and stayed off base with local women in towns that are in close proximity to the military bases. Although OIOS found no evidence to support allegations that national contingent members were engaged in sexual activity with children, anecdotal evidence strongly suggested that such conduct has occurred. OIOS considered that the conduct could be attributed to failures of command and control; accordingly, OIOS recommended, through the Department of Field Support, that officials of the concerned troop-contributing country address such command and control failures. The Department of Field Support has implemented the recommendation.

42. In UNMIS OIOS substantiated an allegation that a military observer attempted to rape a local woman. The Department of Field Support has implemented an OIOS recommendation to refer the case to the concerned troop-contributing country for appropriate action.

43. In UNMIL OIOS substantiated allegations that a senior staff member and assistant conducted themselves in a way not befitting United Nations staff members. Pursuant to the Office's recommendations, the Department of Field Support referred the case to the Office of Human Resource Management for disciplinary action against them for failing to uphold the highest standards of efficiency and competency in the discharge of their functions as required by United Nations Staff Regulations. The matter is pending the outcome of the internal disciplinary process.

44. In UNMIS OIOS substantiated an allegation that a military observer indecently assaulted a member of an international non-governmental organization. OIOS found that the assault was of such character and circumstances that a reasonable inference could be drawn that the military observer assaulted the woman with intent to have sexual relations with her with or without her consent. The Department of Field Support has implemented an OIOS recommendation to refer the case to the concerned troop-contributing country for appropriate action.

45. In the United Nations Operation in Côte d'Ivoire (UNOCI), OIOS received allegations of the sexual exploitation of local girls and women by members of a national contingent. An initial verification of the allegations was undertaken by OIOS and the UNOCI Conduct and Discipline Unit. During that assessment, OIOS interviewed 12 alleged victims, relevant UNOCI military and civilian personnel, UNICEF representatives, members of the local community and representatives of local non-governmental organizations and conducted site visits. As a result of the assessment, OIOS found sufficient grounds to identify that members of the national contingent had engaged in sexual exploitation and abuse of both minors and adults in the area. Subsequent to the assessment, meetings were held by OIOS with officials of the Department of Field Support and the concerned troop-contributing country. OIOS agreed to provide investigative support to the troop-contributing

country; however, the investigation was initially unable to proceed owing to restrictions from national authorities. Some two months later, that impasse was resolved and a combined investigation team of OIOS and personnel from the troop-contributing country commenced field inquiries. The matter is ongoing.

46. In UNMIL OIOS substantiated allegations that a staff member engaged in a series of sexual relationships that were of the type strongly discouraged under Secretary-General's Bulletin ST/SGB/2003/13 and the UNMIL Code of Conduct on Sexual Exploitation and Abuse. Moreover, during the course of the investigation the staff member failed to be forthright and truthful to investigators and in doing so, failed to maintain the high professional and ethical standards required of him by virtue of his position. Accordingly, OIOS has referred the case to the Office of Human Resource Management for appropriate action with respect to violations of relevant United Nations Staff Regulations. The matter is pending the outcome of the internal disciplinary process.

47. In UNMIL OIOS substantiated allegations that a staff member sexually abused a 12-year-old local girl. The investigation also found that in the lead-up to the abuse, the officer commissioned a local security guard to entice the girl to the Officer's private accommodation, where she was locked in the premises and unable to leave. The Department of Field Support has implemented OIOS recommendations to refer the case to the police-contributing country for appropriate action and to Liberian judicial authorities for possible criminal action against the security guard.

48. In the United Nations Disengagement Observer Force (UNDOF), OIOS investigated allegations of irregularities and corruption. OIOS found serious mismanagement resulting in misconduct and corruption by certain UNDOF staff and UNDOF engineering contractors, including payment of kickbacks to UNDOF civilian staff in exchange for the awarding of engineering contracts. Furthermore, OIOS found serious mismanagement causing a loss to the Organization, estimated at $463,000 (extrapolated at 40 per cent of the total contract volume). OIOS submitted recommendations for appropriate action concerning five civilian staff members and three contractors and recommended recovery action against one staff member in the amount of $143,629. The Department of Field Support has sought assistance from the Office of Human Resources Management relating to matters requiring disciplinary actions against the implicated staff. The Department of Field Support has also sought advice as to the national authorities undertaking a judicial review of activities engaged in by several local vendors as identified in the report.

49. In UNMIK OIOS investigated allegations referring to irregularities involving a conflict of interest between UNMIK staff and a company regarding the refurbishing, use and rental of a fuel storage facility in Kosovo. OIOS found that the procedures to obtain the necessary licenses at the Ministry of Trade and Industry (Provisional Institutions of Self-Government) are tainted by corruption. OIOS found that licenses are issued in exchange for kickbacks without regard to established procedures. Given that the allegation relates to potential criminal actions by Provisional Institutions of Self-Government staff and others, the matter was referred to the Special Representative of the Secretary-General, UNMIK, recommending that he approve the onward referral of the case to the UNMIK Department of Justice for criminal investigation. To date, OIOS has not received a response from the Special Representative of the Secretary-General as to the disposition of the case.

50. In the United Nations Stabilization Mission in Haiti (MINUSTAH), OIOS investigated reports of alleged sexual exploitation and abuse of children by military members of several contingents of one troop-contributing country deployed in the mission. OIOS found that the acts of sexual exploitation and abuse were frequent, occurred usually at night, and at virtually every location where the contingent personnel were deployed. In exchange for sex, the children received small amounts of money, food and sometimes mobile phones. A report of investigation was submitted to the Department of Field Support with recommendations for appropriate action. In total, 114 members of the current contingent, including one Lt.-Colonel and two Majors, were repatriated on disciplinary grounds in close cooperation with the troop-contributing country authorities. OIOS is assisting in the pending legal proceedings initiated by the troop-contributing country, to ensure that all military members found guilty according to the relevant laws of that country are held accountable for their actions.

51. In MINUSTAH OIOS investigated reports of alleged misconduct, mismanagement and corruption. OIOS found that a staff member improperly collaborated with two members of the Formed Police Unit to falsify the employment of two casual daily workers. Two members of the Formed Police Unit also extorted money from the daily workers, by threats and physical abuse, and thereafter paid bribes to the staff member to ensure the continuation of the illegitimate scheme. OIOS recommended the recovery of all financial loss to the Organization from the two staff members responsible. The matter is pending the outcome of the internal disciplinary process.

C. Financial risk

52. OIOS defines financial risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

(a) Failure to obtain sufficient funding;

(b) Inappropriate use of funds;

(c) Inadequate management of financial performance below expectations;

(d) Inappropriate reporting and disclosure of financial performance.

53. During the reporting period, the OIOS Procurement Task Force examined approximately 40 complaints and cases involving corruption and procurement irregularities in MONUC. The Task Force found numerous cases in which vendors and companies doing business with the Mission were required to pay sums of money to staff as a prerequisite for the award of contracts by the Organization, or offered to pay sums of money in exchange for assistance in the procurement. The Task Force identified extensive efforts by several procurement staff members to solicit payments and bribes from several vendors in exchange for preferential treatment and various benefits. The Task Force identified extensive corruption in procurement in the Mission and an overall collapse of ethical culture. The Task Force found that a lack of continuity at the managerial level on the one hand, improper ethics and procurement training, and little rotation within the Professional and General Service categories of staff on the other, contributed to this development. The Task Force thus concluded that the Mission should overhaul its procurement operations, provide extensive ethics training, or divest responsibility for procurement to Headquarters or

to an independent third party. OIOS recommendations are in the process of implementation by the Mission. As a result of the Task Force investigation, five staff members were charged with misconduct and their cases are pending the outcome of the disciplinary processes.

54. The Task Force also examined the MINUSTAH procurement exercise for the long-term supply of ground fuel in excess of $27 million and identified a corrupt scheme involving five Mission staff. These staff members severely compromised the integrity of the procurement process and committed corrupt acts throughout the process. Additionally, the Task Force identified an effort by one procurement official to solicit a bribe from one of the competing vendors in exchange for a promise to assist the vendor in the contract selection process. In connection with the investigation into the matter, some of the senior managers made material misrepresentations to the Task Force, the Local Committee on Contracts, and the Headquarters Committee on Contracts to conceal their manipulation of the procurement exercise. The Task Force recommended that appropriate action be taken against those five staff members and that the matter be referred to prosecutorial authorities. As a result of the Task Force investigation, five staff members were charged with misconduct and their cases are pending the outcome of the internal disciplinary process.

55. An audit of the management of systems contracts[8] for peacekeeping operations identified various internal control weaknesses in the procurement process from the planning stage to vendor performance evaluation and payments, which represent high risk of inefficiency and ineffectiveness in operations. In one contract, the original not-to-exceed amount was increased from $32 million to $95 million within a five-year period through various amendments without re-bidding, which increased the risk that the Organization may not be receiving the most favourable contractual terms and value for money. The case has been submitted to the Procurement Task Force for investigation. In another case, the vendor increased the prices before contract expiration, resulting in additional costs of $1.4 million to the Organization. Frequent delays in the delivery of goods under these two contracts were attributed to the failure of the peacekeeping mission to evaluate vendors' production capacity. Vendor performance reports were not found in any of the case files reviewed at the Procurement Service. Furthermore, there were delays in invoice payments, which posed risks to the reputation of the Organization. The OIOS recommendations to improve systems contract management were generally accepted by the Department of Field Support and the Department of Management. Addressing the OIOS concerns relative to systems contracts, the Department of Management commented that the Procurement Division had issued an official reminder to all procurement staff at Headquarters, field missions and offices away from Headquarters, bringing attention to the need for: (a) timely preparation and submission of vendor performance reports; (b) proper planning to limit the frequency and number of amendments to systems contracts; and (c) due diligence in conducting extensive market research to ensure fairness and competition in the procurement process.

56. In an audit of the construction of UNMIS headquarters complex, OIOS found that there were major delays in the bidding process and award of contracts valued at $2.9 million for the construction of seven two-storey office buildings. When the

[8] Contracts used to procure goods and services on a recurring basis for extended periods, intended to facilitate prompt processing of procurement requirements.

contract was awarded in January 2007, its cost was $138,136 higher than the amount originally recommended because of the depreciation of the United States dollar. The delay in completing the project also resulted in extra costs, such as renting space. The Mission attributed the delay in the bidding process to the understaffing in the Procurement Section. OIOS is of the view that the delays were also caused by the lack of a detailed project document showing estimated costs and timelines for all segments of work. The Mission, however, noted that in view of the increased security threats against the previous buildings, it was critical to complete the new headquarters complex urgently and it focused on completing the construction work. The turnover of project managers, four in a period of nine months, also contributed to the delays. OIOS recommended, inter alia, that the Mission ensure that: (a) all contracts are awarded within the original bid validity period, by following up diligently on the cases submitted to the Headquarters Committee on Contracts to avoid any extension or renegotiation of prices with bidders; (b) future construction projects are adequately planned to ensure that they are monitored effectively and that measures are taken to complete the project without further delay. The Mission accepted the OIOS recommendations and has taken action to implement them.

57. In an audit of procurement management at UNAMI, OIOS found that UNAMI staff members had engaged in unauthorized procurement of goods and services thereby committing the Mission to financial liabilities totalling $60,034 in violation of United Nations financial rule 101.2 and section 12.1.8 (4) of the Procurement Manual. OIOS recommended that the circumstances leading to these ex post facto procurement cases be investigated and accountability established. UNAMI issued a reprimand letter to a staff member in one of the cases of unauthorized procurement. An investigation into the circumstances leading to the ex post facto procurement cases is pending.

58. In the same audit discussed in paragraph 57 above, OIOS found that the Department of Peacekeeping Operations procured five armoured personnel carriers for UNAMI through a systems contract, which were dispatched along with five trailers (Safari/Oryx caravans) and additional equipment not required by UNAMI involving an extra cost of $234,790. It is unclear how the Department of Peacekeeping Operations overlooked the specific request of UNAMI for mine protected vehicles and ordered trailers that were not needed. As the trailers were grounded in Kuwait and lying idle, OIOS recommended that the Mission make efforts to relocate them to the United Nations Logistics Base (UNLB) or other missions that could use them. The Department of Field Support disagreed with the OIOS assessment of the purchase of the armoured personnel carriers, stating that the five armoured vehicles and their caravan attachments were procured as part of strategic deployment stocks. However, with the deteriorating security situation in UNAMI, and the immediate need for these assets, they were shipped directly to the Mission instead of UNLB. While the deteriorating security situation may have inhibited the use of the caravan component immediately, it would not have been prudent nor cost effective to separate the caravans from the prime-movers. As the caravans have a long life-cycle and the Mission has adequate infrastructure and the technical ability to store and maintain these assets, the Department of Field Support has recommended that the Mission retain the assets until the operating environment permits their effective use in the manner intended. As of December 2007, two of the eight years of the expected useful life of the caravans had expired. These assets are still lying idle in Kuwait and the prospect of their use in Iraq appears to be remote

as the security situation does not permit them to be deployed. Furthermore, UNAMI had not intended to use the caravans in Iraq as the Mission's requisition specifically called for armoured personnel carriers. OIOS continues to believe that the Safari/Oryx caravans could be used in other missions where the security conditions would allow their deployment.

D. Operational risk

59. OIOS defines operational risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from (a) inadequate, inefficient or failed internal processes; and (b) failure to carry out operations economically, efficiently or effectively.

60. In a procurement audit in UNDOF, OIOS found that there was little rotation of staff in the Procurement Section. As a result, 69 per cent of these staff were in the Section for three years or longer. Good management practice calls for the periodic rotation of procurement staff to minimize the risk of collusion with vendors. UNDOF accepted all of the OIOS recommendations to address the issues, and is taking action to implement them. The Department of Management stated that the Procurement Division has implemented a staff rotation programme.

61. In an audit of deployment of United Nations police and military observers in UNMIS, OIOS found that the number of authorized military observers exceeded UNMIS operational requirements. For example, OIOS found, and the Mission agreed, that a total of 640 observers could implement the Mission's mandate, as opposed to the maximum authorized level of 750. OIOS recommended that UNMIS management request the Department of Peacekeeping Operations to reduce the authorized number of military observers from 750 to 640. The Mission accepted this recommendation and noted that it had actually requested a reduction to 625. This reduction in the number of military observers will save the Mission approximately $5 million per year in mission subsistence allowance payments by reducing idle capacity, thereby increasing the Mission operational efficiency.

62. In an audit of UNMIS air operations, OIOS found that the Mission air assets, comprising 42 aircraft, were significantly underutilized. Aircraft were not needed for operational requirements 58 per cent of the time. Analysis of aircraft occupancy showed that empty seats on aircraft flown on selected days in 2006 ranged between 42 and 94 per cent. During the month of January 2006, there were 44 flights with only one passenger, 32 flights with only 2 passengers, and 37 flights with only 3 passengers. The Mission explained that many flights carried a small number of passengers as the flights were carrying VIPs or technicians to address urgent requirements, providing medical evacuations, or delivering cash to the sectors. OIOS recommended that the Mission conduct a comprehensive review of its air asset requirements and actual utilization to adjust its air fleet to ensure that air operations are conducted in a cost-effective, optimal manner. UNMIS accepted the recommendation, but noted that the Mission's Chief, Aviation Section, had conducted a comprehensive review of the appropriate mix of aircraft types in May 2006. The Mission also stated that the mix of air assets will continue to evolve as airlift requirements change, and that it now has the optimum number of aircraft in place. The Department of Field Support stated that its continuous review of the utilization of the UNMIS air fleet has resulted in a number of actions affecting the

composition of the air assets. First, two aircraft have been decommissioned and four others have been released to UNAMID. In addition, four aircraft and two helicopters have been committed to time- and cost-sharing arrangements between UNMIS and UNAMID.

63. In accordance with General Assembly resolution 60/259, OIOS conducted a comprehensive audit of fuel management in 10 peacekeeping missions. As discussed in its related report to the General Assembly (A/61/760 and Corr.1), internal controls over fuel management needed significant improvement. Specifically, the audit found, inter alia, that: (a) in all missions audited, mechanisms to monitor fuel consumption were either lacking or inadequate; and (b) 5 of the 10 missions audited had no contingency plans to ensure the continuity of fuel supply. Those weaknesses were caused primarily by the inconsistent and limited application of the Department of Peacekeeping Operations Fuel Operations Manual. OIOS issued a total of 182 recommendations, including 83 considered critical, in the audit reports issued to managers in the 10 missions audited. Of the 182 recommendations issued, 174 were accepted. Of those, 87 have already been implemented while 76 were in the process of being implemented as of December 2007. The recommendations issued by OIOS are intended to mitigate the risks arising from: (a) the large expenditures for fuel to support peacekeeping operations and the ease with which such products can be converted into cash; and (b) the lack of contingency plans to ensure an adequate fuel supply.

64. In an audit of property control and inventory management at UNAMA OIOS identified deficiencies in several areas, including warehouse maintenance, inventory recordkeeping, and issuance and handover of assets. With regard to warehouse maintenance, for example, OIOS observed that stock in some warehouses was exposed to risk of damage and theft. OIOS recommended that stock be transferred to fixed structure warehouses. The Mission is taking steps to address the deficiencies identified in the audit.

65. An audit of the provision of drinking water in MONUC showed that there were no clear administrative guidelines or policies for the distribution of drinking water to military personnel, and as a result, distribution practices were inconsistent. For example, in some locations military contingents were issued one bottle of water and three litres in bulk, while in other locations military contingents received only the bulk provision. Distribution of water among casual daily workers on Mission premises was also inconsistent. While those working outdoors or in airports received water, others did not. Although MONUC has prepared draft guidelines regarding the provision of water, the guidelines had not been finalized at the time of the OIOS audit. As such guidelines are critical in ensuring clarity with regard to entitlements, OIOS recommended that MONUC promptly finalize and issue them. The Mission agreed to issue the guidelines.